City of Port Orchard  
Council Finance Committee

A meeting of the Council Finance Committee was held at the Family Pancake House Restaurant January 24, 2014 at 7:30 a.m. The meeting was noticed by the City Clerk that four or more council members may be in attendance.

PRESENT: Chairman John Clauson, members Rob Putaansuu and Jerry Childs, Councilmember Bek Ashby, Community Development Director Nick Bond, Engineer Dorsey, and Treasurer Allan Martin.

Sales Tax Revenue Report:

Total sales tax collection distributions for 2013 were presented. The city ended 2013 9.79% above total projected yearly collections. Actual sales tax 2013 collections $3,648,600.

It was reported that the city attorney had contacted Cascade Natural Gas regarding their franchise agreement with the city. The outcome of the initial conversation resulted in an understanding the current 50 year agreement that expires on May 18, 2014. Committee members directed the franchise agreement be placed on a work study session agenda for Council discussion. The current agreement was for a 50 year term and a yearly payment. Discussions should continue regarding the term of a new agreement, frequency of a franchise fee distribution, and whether or not the fee amount should be adjusted in light of current economic conditions and its unadjusted rate over the past 50 years.

A list of all city fees was presented to the committee. Mr. Martin pointed out that city revenues can be viewed as a three-legged stool. The first being property tax, the second sales and use tax, and the third various sources including fees. The list was presented as an informational piece. Councilman Childs appreciated that the list included the date the fee was implemented or last updated. Chairman Clauson suggested that it would be helpful to have how much each fee generated but did not want to assign a great deal of staff time to determine such.

In response to a request by member Putaansuu, Mr. Martin provided a comparison of city parking charges to nearby jurisdictions. Mr. Putaansuu considered the comparison as informational and pointed out that the city parking fees were in line with other jurisdictions. The committee felt there was no further action needed regarding parking fees.

Administrative:

A draft of an updated Interlocal Agreement with Kitsap Regional Library District was presented to the committee. Misters Dorsey and Martin have worked with the district’s representative in updating the agreement in light of the capital improvements the city provided and the district’s building enhancements. A representative of the district will be invited to the February meeting to discuss the district’s outlook and current status of the negotiations.

Mr. Martin reported that the city received insurance proceeds of $6,956 for the total loss of a police car. The proceeds will be deposited into the equipment reserve fund in the upcoming budget amendment.
**Community Development Fees:**
The committee received a memorandum regarding department of community development and public works permit and review fees were provided to the committee. The information is an outgrowth of discussions started during the 2014 budget adoption process and revenue budgeted for. These revenue sources include a permit technology fee, adjusting the building permit valuation tables, and updating the planning and public works fees to ensure that existing city residents are not subsidizing development. As Mr. Putaansuu pointed out growth should pay for growth rather than being subsidized by taxpayers. Mr. Clauson suggested at the very least a balance should be struck between the benefits of growth for the overall city and the cost to the individual taxpayer who may or may not benefit by new growth.

The memorandum posed three questions.
1. Does the city wish to continue subsidizing development permits or should development pay for development and if so to what degree?
2. Are the fees presented acceptable and reasonable?
3. When should the new fees take effect? Should the city give builders a window in which to submit under the existing fees?
4. Is adjusting the permit fees according to a cost of living adjustment acceptable?

The committee members suggested staff begin communicating and working with the various stakeholders with the goal of focusing a discussion on the needs of the city and development community. The committee recommended moving the item forward with a discussion of the full Council at the March work study session.

**Contract close-out DeKalb Pier project:**
Public Works Director Mark Dorsey briefed the committee on Business Item C appearing on the January 28, 2014 Council meeting agenda. There are two administrative financial items requiring Council action prior to closing out the project in fiscal year 2013. The payment for crushed rock and an additional sales tax payment. These final two items total $14,042. The committee discussed future construction contract administration and how the city might benefit from what it learned from its experience in 2013.

The meeting concluded at 8:52 am.

**Next Meeting:** February 21, 2014 at 7:30 am Family Pancake House